

# Credit Line



A MEMBER NEWSLETTER

MARCH 2008

## Susan Archibeque, CCE, Nicholas & Company

Won 1st Place in the 2007 Credit Research Foundation (CRF) Writing Works Competition  
**“Conquering the Challenge of Overridden Credit Decisions”**

*With Susan’s permission, we are publishing excerpts from the above article. One of the major complaints we hear from members is that their decisions are overridden by management.*

*As you read this article, you will be able to understand that getting everyone on the same page in your company and coming up with a new Credit & Collections policy doesn’t happen overnight. It takes a lot of work, organization, patience and perseverance. Thank you Susan for sharing your experience.*

“Throughout my 30 years in credit management, one of the common complaints I hear from fellow credit executives is the frustration with higher level management overriding their credit decisions. The questionable account may be a friend of the boss, or an account that the company has targeted to sell, and the decision to extend terms, against the advice of the credit professional, puts the company in jeopardy of high debt write-off. When this happens it leaves the credit executive feeling under valued, and once the decision is made without their buy-in the blame game starts. In addition, it reflects on the credit professional’s performance and may jeopardize possible bonus compensation.

It was about six years ago when I experienced this very situation. I accepted a position as Director of Credit with an established aggressive corporation. I conducted my job as I had in the past, approving and denying credit on new account applicants, but quickly discovered that the decision to extend terms on certain account’s had already been made before I even received an account application.

### IN THIS *Issue*

#### PAGE ONE

Overriding credit decisions  
 2007-2008 Board of Director Nominees

#### PAGE TWO & THREE

Credit Decisions continued

#### PAGE FOUR

Secured Transactions Credit Clinic  
 Intermountain Commercial Record News

#### PAGE FIVE

Additional Contractor Supplier Groups

#### PAGE SIX

Mechanic’s Lien Seminar

#### PAGE SEVEN

Calendar of Events

New Members

#### PAGE EIGHT

ICEL March Bosses Luncheon  
 NACM BCS Board of Directors

The Sales Department viewed this account as a success and it had been one of the company’s targeted prospects for years. According to the sales department, the customer called his sales representative indicating that they had some issues with their present supplier and was looking for another supplier. The sales representative had developed a good relationship with this account and due to his hard work, outstanding salesmanship, and popularity the customer thought of our company first. It couldn’t have been due to their suppliers cutting them off?

It is no wonder the decision to sell was overridden by higher level management. We had thousands of dollars invested into this account before the first order was shipped. I quickly realized that I needed to get on the front end of the decision making rather than the tail end, but before I could do that, I needed to get buy-in from all management levels, and in order to do that I needed to go to the very top. *Continued on next page*

### 2008-2009 NACM BCS Board of Director Nominees

Doug Darrington, CCE  
*Altaview Concrete, Inc.*  
 Julie Ockler  
*Codale Electric Supply Inc.*  
 Jane Rose  
*Hajoca Corporation*  
 ReBecca Poulsen, CCE  
*Henriksen Butler Design*  
 Lori Gudmundson, CCE  
*Media One Utah*  
 Penny Williams  
*MidWest Floor Coverings, Inc.*  
 Janae Jeffs, CCE  
*Muir Enterprises, Inc.*

Members will receive a ballot to vote for 4 of the above individuals



**NACM Spring Banquet  
 April 25th**

# Credit Decisions Overridden Continued...

This would take a complete change in the way we had done business in the past. Being new with the company, I could go storming into the Presidents office saying that we are crazy extending terms to this account, and that we will probably have a bad debt write-off, and I wanted to make it perfectly clear that it is not my fault!. Or, I could do my homework and do a thorough evaluation of the entire company, and use this account as an example of how we put the company in liability when credit is not involved when we are looking at them as a prospective-new account. I had to gain respect from our management team and provide factual data that would give them a good reason to change.

## **EVALUATE THE ENTIRE COMPANY**

I began evaluating the entire company and summarized the major problems:

- The Credit Policy was outdated and not enforced. Lacked key areas that insure proper protection to the company. The credit policy is the foundation and serves as a guide when making credit decisions.
- Purchasing did not get approval from credit before ordering proprietary products, leaving the company with additional liability.
- The sales department was frustrated with the Credit department because it took a long time to make a credit decision. The reason for this was due to the credit department's inability to obtain information quickly and accurately. I needed to have each credit analyst set up to pull credit reports on line and have the ability to verify legal structure along with other tools to make credit decisions timely and accurately
- The Credit Department lacked effective leadership. Credit Analyst's were not held accountable for achieving established goals and objectives. It was obvious they needed additional training and education.
- Salespeople were paid a commission when the product was invoiced, not when it was paid for. There was no commission penalty when the account was delinquent or was written off as a bad debt.
- Bonus plans did not include all corporate goals and actually encouraged departments to work against each other. The Aging Report did not include a risk factor, DSO and Best Possible DSO, along with other key measurements that are necessary to monitor. It is important that the aging will track numbers down to the individual customer, salesman, sales manager, analyst, business segment, and others.

I needed to prioritize necessary changes, develop time lines and take action. The first thing I did was establish a new credit policy and procedures manual taking into consideration that changes would be made as department managers were involved and held accountable for the new policy.

The next step was evaluating the financial impact the A/R was having on the company.

Other areas that are harder to measure:

### **Sales**

By establishing a bonus/commission charge back plan based on A/R and sales performance, this will encourage your sales staff to go after profitable accounts that form partnerships.

### **Credit Department Employees**

Giving credit the authority to make sound credit decisions that are best for the company will increase accountability, and motivate the employees. In addition, establishing a bonus plan to keep them focused and rewarded for their hard work is critical. The cost of the plan is easily justified by the overall savings to the company.

### **Credit Committee**

Every company should have a credit committee where accounts that do not meet the credit worthiness guidelines outlined in the credit policy can be discussed. Upper level managers will have a voice and together along with the Credit manager, they will make the decision to sell or not to sell an account. This eliminates finger pointing and leaves one team working to achieve the same goals and objectives. Establishing a pre-check approval process will eliminate additional time and money going after an account that is not financially sound, and puts the company in jeopardy of high bad debt write-offs and inventory losses.

## Company Scorecard

And last, the company needs to include A/R performance on the company scorecard. This needs to be a corporate goal along with sales, service level, employee retention, and profitability. This gets all upper management focused on A/R performance.

## DEVELOPING A STRATEGIC PLAN

Once the evaluation is completed and all areas are addressed, develop a Strategic Plan along with a realistic time line. It is important to keep it simple and direct. The first step is presenting this to the President in a way that would gain his respect and backing. Research the company's vision, history, goals and objectives, and tie the credit department goals into the company's overall goals and objectives. Speak the same "language" top management is speaking. It is critical that you are viewed as a team player.

## PRESENT YOUR IDEAS TO THE TOP GUY

You might say, "Thank you for taking time out of your busy schedule. I have some exciting news! I can increase your bottom line by \_\_\_\_\_ by this time next year? You won't have to buy extra products or equipments, you won't have to expand your facility, you won't have to hire more people, and you won't incur any additional debt. In fact, I can reduce your debt and bring in an additional \_\_\_\_\_ dollars of additional working capital a day that you can use to purchase new trucks and new equipment. The plan I have put together will support our goal of increasing sales, increasing service level and increase overall operational efficiencies."

Once I had his attention, I continued my presentation by specifying what needed to change, how I would go about changing it, and how I would roll this to sales. I was prepared to identify anticipated problems and how those problems would be addressed. I was prepared to prove the numbers and back them up with facts. I ended the presentation by saying that I can do this with his support, and the support of our management team, but I could not do it alone.

After presenting this information in a positive proactive form, he was definitely supportive. I provided him an updated version of the Credit Policy, highlighting procedural changes I wanted to make. I identified specific problem areas in our operation, and offered suggestions to correct them. The new policy was distributed to the entire management team without a hitch. With the President present, it sent a clear message that this was a company initiative, not just my initiative.

After distributing the Policy, with the help of Sales management we changed the bonus plans for the Sales people to reflect A/R performance. We found our sales staff going after profitable accounts.

Credit Department - I developed new bonus plans for the Credit Analysts that included Sales goals as a component. I worked with Sales management to develop a commission chargeback policy on bad debt write-off accounts and excessive slow paying accounts. We also worked closely developing reports that were easy to read and interpret for Sales management.

Credit analysts had regular evaluations with coaching and mentoring in areas that required improvement.

I immediately formed a credit committee and I was involved in the planning committee meeting. The credit department began performing pre-check credit checks on potential new accounts. I coordinated with purchasing, transportation and operations in several areas, and interesting enough, when factual information was presented in these meetings, the decisions came easy.

I developed training sessions for sales representatives, and I did many customer visits to assist sales in the collection effort. New hire employees were required to go through orientations and all district sales managers were reviewed to make certain they were meeting acceptable levels.

Once we put the plan in place we immediately noticed an improvement in the A/R. The DSO started coming down, the percent past terms was declining and people had more time to focus on selling product. Bad debt write-offs were declining, and our people were energized and focused on goals and objectives.

We exceeded our expectations. Within eight months we exceeded all our goals. We had a huge celebration with the sales team at our year end sales meeting. I presented awards to the sales representative with the greatest overall improvement and I handed out cash to those that achieved their goals. I awarded the district sales manager of the year and the credit analyst of the year with plaques that they proudly displayed throughout the company. Everyone maxed out on their bonus plan that clearly paid for itself.

After six years with the company we still proudly display our plaques and charts, and I continue to recognize outstanding achievement in credit and collections at our annual year end sales meetings. We are well below industry standards in both DSO and bad debt write off. Most importantly, our sales have continued to grow in the double digits and we are financially a stronger company."

# NACM Credit Clinic

## Secured Transactions

**Wednesday, March 19**

NACM Training Center: 7410 So. Creek Rd., Ste. 301 (1130 East)

9 a.m. - 10:30 a.m.

**Continental Breakfast Included**

**\$25/attendee, \$35/Non NACM Member**

**Speaker: Connie Steed, CCE, Rasmussen Equipment**



### **This Secured Transactions Seminar will teach you about...**

**General Types of Security**

**Advances and Prepayments**

**Pre-authorized payments (direct debit)**

**Joint Check Agreements**

**Personal Guarantees**

**Assignments for the Benefit of Creditors**

**Promissory Notes**

**Article of the UCC**

**Mechanics Liens**

**Payment Bonds**

**Repairman's Liens**

To sign up for this seminar, contact Georgette at 801-433-6116,  
email [GBevan@nacmint.com](mailto:GBevan@nacmint.com) or sign up on the website: [www.nacmint.com](http://www.nacmint.com)

## **News From The Intermountain Commercial Record Delivered 4 days earlier!**

In response to your request, beginning Wednesday, February 27th, subscribers will receive:

Court and Construction records and news in the Wednesday Issue, arriving on your desk Thursday, 4 days earlier!  
Including Tax Liens relating to Construction!

Other Tax Liens will still be arriving on Friday and Business Leads will be in the Saturday edition arriving on Monday.

*Thank you for your loyalty and subscriptions to the Intermountain Commercial Record/Times.*

*Intermountain Commercial Record only \$125/year NACM members!  
To sign up contact Jana at 801-487-8781, ext. 135  
or sign up online at [www.nacmint.com](http://www.nacmint.com) (under News and Resources)*

# Additional Contractor Supplier Groups

## Contractor Suppliers Industry Groups

**“DO YOU SELL IN THESE SURROUNDING AREAS?”  
HERE IS ANOTHER VALUABLE “OPTION” FOR YOUR COMPANY...**

Industry Group	Meeting Information
<input type="checkbox"/> Ogden Contractor Suppliers Group	The 3rd Friday of each month Meeting Place: Jeremiah's Restaurant, Ogden Next meeting: March 21
<input type="checkbox"/> Utah County Contractor Suppliers Group	The 3rd Wednesday of each month Meeting Place: Marriott Hotel, Provo Next meeting: March 19, noon
<input type="checkbox"/> So. Utah Contractor Suppliers Group	Every other month Meeting Place: Holiday Inn, St. George, UT Next meeting: March 14, noon
<input type="checkbox"/> Regional Contractor Suppliers Group <b><i>(Phone conference available)</i></b> Covering: ID, No. UT, No. NV, WY	Every other month, 2nd Tuesday Meeting Place for local members: NACM Office, 7410 So. Creek Rd., SLC, UT Next meeting: March 11, noon
<input type="checkbox"/> So. West Region Material Suppliers Group <b><i>(Phone conference available)</i></b> Covering: So. NV, AZ, CA	Quarterly, 2nd Friday Meeting Place for local members: NACM Office, 7410 So. Creek Rd., SLC, UT Next meeting: May 9, noon

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**SIGN US UP as a guest at one or more of the above industry group meetings:**  
Fax to Julia at 801-484-1891, email: JBuck@nacmint.com or phone 1-801-487-8781, 800-977-6226, ext. 119

Company Name \_\_\_\_\_  
Member # (if applicable) \_\_\_\_\_ Phone \_\_\_\_\_ email \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Attendees: If more than one group, please indicate the name of the person attending which group  
\_\_\_\_\_  
\_\_\_\_\_

# Mechanic's Lien Seminar

## Legislative UPDATE!

# Mechanic's Lien Seminar

Salt Lake City, Monday, March 10, 2008

NACM Training Center, 7410 So. Creek Rd., #301, (1130 East)

Speaker: Dana Farmer, Attorney, Liencounsel

### Mechanic's Lien Basics

9-12 noon

- What is a lien
  - When to file a lien
  - How do you protect lien rights
  - What do I do after I file a lien
  - Training (SCR)
- State Construction Registry  
*Searching & Filing Notices*

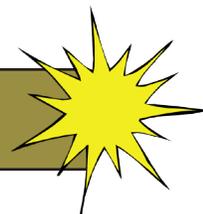
### Beyond the Basics

1-4 p.m.

- Legislative update
- Lien laws in Idaho, Wyoming & Nevada
- New rules from Court of Appeals for joint checks
- Analyzing the validity of Notices of Commencement and Notices of Completion

Cost: Members \$65 per session, additional person same company \$55  
Basic & Beyond the Basics combination \$115  
Non-Members \$85/session

**Now More Than Ever—An Important Collection TOOL**



**SIGN US UP for the Mechanic's Lien Seminar on Monday, March 10, 2008**

FAX to Georgette Bevan, CCE, (801) 484-1891 , phone (801) 433-6116, GBevan@nacmint.com

Company Name \_\_\_\_\_ Member # \_\_\_\_\_

Attendees Names/Lien Basics \_\_\_\_\_

Attendees Names/Beyond the Basics \_\_\_\_\_

email address \_\_\_\_\_

# Code

Black: Industry Credit Groups

Red: Other events

# March, 2008

## Looking Ahead

Mar 10: Mechanic's Lien Seminar  
NACM Training Center

Mar 18: FREE Equifax Business  
Credit Report Workshop, NACM

March 19: Secured Transactions Seminar, NACM

April 9: Credit Boot Camp, NACM

April 28: NACM Spring Banquet Gardner Village

Sat./Sun.	Monday	Tuesday	Wednesday	Thursday	Friday
1/2	3	4	5	6 Hardware & Lumber	7 Steel & Welders
8/9	10 Fine Paper <b>MECHANIC'S LIEN SEMINAR</b>	11 Food & Restaurant Regional Contractors	12 SLC Contractors	13 <b>ICEL RED LION HOTEL BOSSSES LUNCHEON</b>	14 Concrete, Paving, Excavating & Waterworks So. Utah Contractors
15/16	17 Masonry & Landscaping	18 Printers of Utah Heating & Plumbing Automotive & Truck Suppliers Roofers & Siding <b>FREE EQUIFAX BUSINESS REPORT WORKSHOP</b>	19 Advertisers, Media Ut. County Contr. <b>SECURED TRANSACTIONS CREDIT CLINIC</b>	20 Electrical Floor Covering Industrial Supply	21 Diesel Engines Ogden Contractors
22/23	24	25 Equipment Dealers	26 General Services	27 General Contractors	28
29/30	31				

## Welcome New Members

### Canyon Stone & Insulation #5667

1093 West 2180 North  
Salt Lake City, UT 84116  
Industry: Construction Supplies  
Rep: Pam Hunt

### Smartway Roofing, Inc. #5669

2543 No. 180 West  
Pleasant Grove, UT 84062  
Industry: Contractor  
Rep: Calvin Smart

### No. Utah Turf Specialists, LLC #5671

3135 No. Fairfield Rd., Ste. C  
Layton, UT 84041  
Industry: Contractors  
Rep: Joale Nokes

### Tera Manufacturing Inc. #5668

5247 So. Commerce Dr.  
Salt Lake City, UT 84107  
Industry: Auto ACC Parts  
Rep: Paula Vario

### Dixie Lumber & Hardware #5670

1150 West Sunset Blvd.  
St. George, UT 84771  
Industry: Lumber  
Rep: Lisa Stewart

### Interwest Insulation #5672

1287 West 300 So.  
Lindon, UT 84042  
Industry: Construction Supplies  
Rep: Brandy Tejada

# March 13, ICEL Bosses Luncheon

## The Anxious Organization

**Speaker: Jake White**

**Red Lion Hotel, 11:45 - 1:15 p.m., Cost: \$13.50**

**For Reservations or to come as a guest, contact Georgette Bevan, CCE, 801-433-6116**

All organizations are more or less anxious. Anxiety causes organizational symptoms, including conflict, absenteeism, disengagement, and group think (the "herd mentality"). Leaders have a central role to play in minimizing anxiety in the "system." By applying systems theory, and improving one's emotional intelligence, a leader can make a significant difference in an organization. This presentation will discuss practices that leaders and/or employees can implement to improve organizational health and emotional maturity.

Jake White is the Director of Training and Development at Clyde Companies. He received his bachelor degrees from the University of Utah in Sociology and Psychology and received his masters degree in Psychology with an emphasis in organizational Psychology from Seattle Pacific University. Jake has worked as an Executive Coach to several companies. Jake grew up in Bountiful, Utah. He currently resides in Cedar Hills, Utah with his family.

## NACM BCS Board of Directors, 2007-2008

### BOARD OF DIRECTOR OFFICERS:

Susan Lujan, CCE Chairman Kenworth Sales Co.	Allen Vickers Vice-Chairman A & K Railroad	Bonnie Snider, CCE Treasurer Alder Sales Corp
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### NACM OFFICERS:

Dean Wangsgard, CCE President NACM BCS	Scott W. Lee, JD, CCE Vice President & Secretary NACM BCS
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### BOARD OF DIRECTORS:

Susan Cummings, CCE Arnold Machinery	Grant Weller CMC Construction Services	Barbara Mackay Intermountain Concrete Specialties
Cyndie Keetch, CBA Mountain Contrs Supply Grp	Connie Steed, CCE Rasmussen Equipment	Sandra Brown Schmidt Sign Service

### COUNSELOR:

Dana Farmer, JD LienCounsel	Patty Fullmer BMC West
Tyler Steenblik, CBA Young Electric Sign	



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